

SUBCOMMITTEE NO. 2

Agenda

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Bob Dutton
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Monday, March 6, 2006
11:00 am
Room 112

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Resources—Environmental Protection—Energy—Utilities

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Consent Calendar

3110 Special Resources Programs

Background. The Special Resources Programs include the following three programs:

- **Tahoe Regional Planning Agency (TRPA).** The TRPA was established by a congressionally approved compact between California and Nevada. The TRPA provides planning and enforceable regulations that preserve and enhance the environment and resources of the Lake Tahoe Basin. Funding for the agency is shared between Nevada (one-third) and California (two-thirds) according to the compact that established the agency.
- **Yosemite Foundation Program.** This program funds restoration and preservation projects in Yosemite National Park. Funding for this program is provided from proceeds of personalized motor vehicle license plates sold by the Department of Motor Vehicles.
- **Sea Grant Program.** This program encourages research and education in the fields of marine resources and technology. This state Sea Grant Program provides state assistance to the University of California and the University of Southern California that is used to match funds for selected projects under the federal Sea Grant Program.

Governor's Budget. The Governor's budget proposes \$4.7 million for these three special resources programs. This is about the same level as estimated for expenditure in the current year.

Summary of Expenditures				
(dollars in thousands)	2005-06	2006-07	\$ Change	% Change
Type of Expenditure				
Tahoe Regional Planning Agency	\$3,638	\$3,638	\$0	0.0
Yosemite Foundation Program	840	840	0	0.0
Sea Grant Program	205	201	-4	-2.0
Total	\$4,683	\$4,679	-\$4	-0.1
Funding Source				
Special Funds	\$4,559	\$4,555	-\$4	-0.1
Budget Act Total	4,559	4,555	-4	-0.1
Harbors and Watercraft Revolving Fund	124	124	0	0.0
Total	\$4,683	\$4,679	-\$4	-0.1

Staff Recommendation. Staff recommends that the Subcommittee approve the three special resources programs as budgeted.

3680 Department of Boating and Waterways

Background. The Department of Boating and Waterways (DBW) is responsible for planning and developing boating facilities on waterways throughout California. It is also responsible for protecting the public's right to safe boating by providing subventions to local law enforcement agencies. The department is also responsible for boating safety and education, licensing yachts, aquatic weed control in the Sacramento-San Joaquin Delta, and beach erosion control along California's coast.

Governor's Budget. The Governor's budget proposes \$72 million to support DBW in the budget year. This is over 5 percent more than estimated expenditures in the current year due to recent legislation enacted to increase boater registration fees. The additional funding from the fees is proposed for additional Marine Law Enforcement Financial Aid Grants.

Summary of Expenditures				
(dollars in thousands)	2005-06	2006-07	\$ Change	% Change
Type of Expenditure				
Boating Facilities	\$51,160	\$51,970	\$810	1.6
Boating Operations	16,047	18,806	2,759	17.2
Beach Erosion Control	1,423	1,625	202	14.2
Capital Outlay	3,576	12,755	9,179	256.7
Administration	2,350	2,350	0	0.0
<i>less distributed administration</i>	<i>-2,350</i>	<i>-2,350</i>	<i>0</i>	<i>0.0</i>
Total	\$72,206	\$85,156	\$12,950	17.9
Funding Source				
General Fund	\$0	\$0	\$0	0.0
Special Funds	500	1,250	750	150.0
<i>Budget Act Total</i>	<i>500</i>	<i>1,250</i>	<i>750</i>	<i>150.0</i>
Federal Trust Fund	8,111	8,111	0	0.0
Reimbursements	1,045	4,303	3,258	311.8
Harbors and Watercraft Revolving Fund	62,550	71,492	8,942	14.3
Total	\$72,206	\$85,156	\$12,950	17.9

1. Harbors and Watercraft Revolving Fund – Local Assistance

Background. The Harbors and Watercraft Revolving Fund is the main source of funding for the Department of Boating and Waterways. This fund is supported by annual appropriations from the Motor Vehicle Fuel Account from the taxes on fuel for vessels. Registration fees paid for vessels; fees paid by licensed yacht and ship brokers; and fees associated with boating facilities in state parks are also deposited into this fund.

Governor’s Budget. The Governor’s budget includes the following budget proposals for local assistance grants and loans from the Harbors and Watercraft Revolving Fund:

- **Public Small Craft Harbor Loans.** The budget proposes \$21.4 million for public loans to develop, expand, or rehabilitate marina facilities at 6 locations in the state. Marinas in San Francisco, Alamitos Bay, Dana Point, Berkeley and Sacramento are proposed to receive the largest allocations in the budget year.
- **Boat Launching Facility Grants.** The budget proposes \$9.6 million for 11 grants to build or improve launching facilities around the state. The largest grants are proposed to fund projects at Shelter Cove, Caples Lake, the Antioch marina, and Bonelli Park.
- **Private Recreational Marina Loans.** The budget proposes \$3.5 million to fund loans to develop, expand or rehabilitate private marina facilities statewide.

Staff Recommendation. Staff recommends that the Subcommittee adopt this budget proposal.

2. Harbors and Watercraft Revolving Fund – Capital Outlay

Background. The Harbors and Watercraft Revolving Fund is the main source of funding for the Department of Boating and Waterways. This fund is supported by annual appropriations from the Motor Vehicle Fuel Account from the taxes on fuel for vessels. Registration fees paid for vessels; fees paid by licensed yacht and ship brokers; and fees associated with boating facilities in state parks are also deposited into this fund.

Governor’s Budget. The Governor’s budget includes the following budget proposals for capital outlay projects funded from the Harbors and Watercraft Revolving Fund:

- **Major Projects.** The budget proposes \$3.4 million for construction of Phase III of the Boating Instruction and Safety Center in Ventura County and \$85,000 for project planning and studies needed to develop major capital outlay projects for future years.
- **Minor Projects.** The budget proposes \$6 million for 13 location-specific projects and other statewide projects costing \$500,000 or less. Projects include:
 - **Merced County.** San Luis Creek ramp widening, Los Banos Creek improvements, and Grasslands State Park launch ramp improvements.
 - **Sacramento County.** Brannan Island ramp widening and Negro Bar improvements.
 - **Lake County.** Clear Lake Marina ADA improvements.
 - **Humboldt County.** Humboldt Boating Instruction and Safety Center instructional docks.
 - **Fresno County.** Millerton Lake Crows Nest improvements.
 - **Imperial County.** Picacho boat-in campground improvements.

- **Butte County.** Bidwell Stage II parking improvements, Lake Oroville floating campsite improvements, and Bidwell Canyon Stage I ramp widening.
- **Alameda County.** Bethany Reservoir boat launch facility improvements.
- **Statewide Projects.** Emergency repairs, boating trails, and low water improvements.

Staff Recommendation. Staff recommends that the Subcommittee adopt this budget proposal.

3. Abandoned Watercraft Abatement

Background. Funding for the Abandoned Watercraft Abatement Fund comes from transfers from the Harbors and Watercraft Revolving Fund. The revenues transferred to the Abandoned Watercraft Abatement Fund come from fines and penalties on abandoned watercraft and proceeds of the sale of such vessels. The funds are used to provide grants to local agencies for the removal of abandoned recreational vessels. The program requires 10 percent in matching funds from the local government seeking a grant from the department.

Governor's Budget. The Governor's budget includes \$500,000 for grants to local agencies for the removal of abandoned recreational vessels.

Staff Recommendation. Staff recommends that the Subcommittee adopt this budget proposal.

4. California Beach Erosion Control Program

Background. This program works to preserve and protect the California shoreline; minimize the economic losses caused by beach erosion; and maintain recreational beach areas. The department conducts and participates in beach erosion studies and restoration projects.

Governor's Budget. The Governor's budget proposes the following contracts to support the beach erosion control program:

- \$350,000 to the Department of Conservation for the *Coastal Sediment Master Plan*.
- \$300,000 to the U.S. Geological Survey for the *Coast of California Study* in Ventura and Santa Barbara Counties.

The Governor's budget also includes the following local assistance grants to support the beach erosion control program:

- \$325,000 to the Cities of Solana Beach and Encinitas.
- \$325,000 to the City of San Clemente.
- \$100,000 to the City and County of San Francisco (Ocean Beach).

Justification. The state funds provided for development of the *Coastal Sediment Master Plan* and the *Coast of California Study* are efforts that are coordinated and funded jointly with the U.S. Army Corps of Engineers and the U.S. Geological Survey. Funding for the Master Plan will be used to support the development of GIS tools to inform decisions that will be required as

the implementation of the Master Plan commences. Funding for the California Study will be used to complete a study that characterizes coastal changes along heavily used areas of the coast.

The cities of Solana Beach, Encinitas, and San Clemente are completing multi-year feasibility studies for shoreline restoration. These funds will be used to prepare planning, engineering and design of capital projects. The City and County of San Francisco is working with the U.S. Army Corps of Engineers to perform a regional sediment management demonstration project that utilizes dredged sand from the bay to restore sand to a highly eroded section of Ocean Beach.

Staff Recommendation. Staff recommends that the Subcommittee adopt these budget proposals.

5. Boating Accident Program

Background. The Boating Accident Program at DBW compiles boating accident statistics under a state law requiring any boater who is involved in an accident to file a written accident report with the department if: there is a death, disappearance, or injury requiring medical attention beyond first aid; damage to a vessel or other property exceeding \$500; or complete loss of a vessel. Federal law requires the state to provide a complete analysis of all boating accidents to the U.S. Coast Guard within 30 days in order to qualify for federal funds.

Governor's Budget. The Governor's budget proposes \$85,000 from the Harbors and Watercraft Revolving Fund to fund one position to meet federally mandated data collection related to boating accidents.

Workload Justification. The department currently has one position supporting the boating accident program. The department indicates that this level of staffing accomplishes only the bare minimum required by state and federal law and has resulted in late submissions of data to the U.S. Coast Guard. The U.S. Coast Guard has recently announced that states that submit their data late may be in jeopardy of losing federal funding.

Federal funding supports about 40 percent of the activities of the Boating Operation Division, which is responsible for boating safety and public education programs. Elimination of this federal funding would have serious impacts on the department's ability to fund statutorily mandated programs.

Staff Recommendation. Staff recommends that the Subcommittee adopt this budget proposal.

6. Boating Safety and Enforcement Financial Aid Grant Program

Background. The Boating Safety and Enforcement Financial Aid Grant Program provides state financial aid to local governmental agencies whose waterways have high usage by transient boaters and an insufficient tax base to fully support a boating safety and enforcement program. The program is intended to augment existing local resources for boating safety and enforcement

activities but not intended to fully fund local programs. Local participation in the program is voluntary.

Legislation (SB 255, Torlakson), enacted in 2005, doubled the renewal fee for vessel registration. This legislation is expected to generate approximately \$4.7 million over a two-year period (vessel registration is renewed for a two-year period). The legislation designates 50 percent of the revenues to go to increased safety and enforcement financial aid grants.

Governor's Budget. The Governor's budget includes \$2.5 million in additional local assistance grant funds to the Boating Safety and Enforcement Financial Aid Grant Program. The budget proposes to dedicate all of the additional revenues generated by SB 255 to this program.

Staff Recommendation. Staff recommends that the Subcommittee adopt this budget proposal.

Other Regional Conservancies

Background. In order to promote the conservation of its land resources, the state has created six regional conservancies that acquire and protect undeveloped lands in specific regions of the state. The conservancies are departments, located within the Resources Agency, that are charged with, among other things, acquiring land in specified geographical areas in order to advance specified goals. While the particular statutory goals of each conservancy differ, in general, the conservancies were created to protect public trust resources.

Governor's Budget. The Governor's Budget proposes \$14 million for the state's six regional conservancies. This is over 75 percent less than estimated expenditures in the current year due to a reduction in the amount of resources bond funds available for appropriation. (The totals in the table below do not include reimbursements or other funds that are off budget.)

Summary of Expenditures				
(dollars in thousands)	2005-06	2006-07	\$ Change	% Change
3810 - Santa Monica Mountains Conservancy	22,613	9,241	-13,372	-59.1
3825 - San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy	10,831	3,339	-7,492	-69.2
3830 - San Joaquin River Conservancy	372	434	62	16.7
3835 - Baldwin Hills Conservancy	23,213	415	-22,798	-98.2
3845 - San Diego River Conservancy	272	292	20	7.4
3850 - Coachella Valley Mountains Conservancy	5,163	272	-4,891	-94.7
Total	\$62,464	\$13,993	-\$48,471	-77.6

3810 Santa Monica Mountains Conservancy

Background. The Santa Monica Mountains Conservancy (SMMC) acquires, restores, and consolidates lands in the Santa Monica Mountains Zone for park, recreation, or conservation purposes.

Governor's Budget. The Governor's budget contains \$9.2 million for the SMMC, including the following budget proposals:

- **Watershed Protection Plan.** The budget provides \$8.5 million in Proposition 50 bond funds for watershed protection projects in the upper Los Angeles river watershed and Santa Monica Bay and Ventura County coastal watersheds.
- **Opportunity Land Acquisitions and Projects.** The budget provides \$10,000 in expenditure authority from the Santa Monica Conservancy Fund. Revenues deposited in this fund are received through donations, settlements, and other sources.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

3825 San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy

Background. The San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy (SGLAC) acquires and manages public lands in the San Gabriel basin, along the San Gabriel river and its tributaries, along the lower Los Angeles river and its tributaries, and in the San Gabriel Mountains. The conservancy acquires land to provide open space, low-impact recreational and educational uses, water conservation, watershed improvement, and wildlife and habitat restoration and protection.

Governor's Budget. The Governor's budget contains \$3.3 million for the SGLAC, including the following budget proposals:

- **Acquisition and Restoration.** The budget proposes \$2.8 million in Proposition 50 bond funds and \$25,000 in reimbursements to fund acquisition and restoration projects consistent with the watershed and open space plan of the conservancy.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

3830 San Joaquin River Conservancy

Background. The San Joaquin River Conservancy (SJRC) acquires and manages public lands within the San Joaquin river parkway, which consists of approximately 5,900 acres on both sides of the San Joaquin River between Friant Dam and the Highway 99 crossing.

Governor's Budget. The Governor's budget contains \$434,000 for the SJRC, including the following budget proposals:

- **Public Access and Recreation and Environmental Restoration Capital Improvement Program.**
 - The budget proposes \$2 million in reimbursement authority to allow the conservancy to seek non-state funds to implement the capital improvement program.
 - The budget also proposes to reappropriate \$1.2 million in Proposition 12 bond funds for land acquisitions and other public access and recreation improvement projects. These funds were not expended due to the need to address issues related to potential land acquisitions, including existing gravel mining operations and potential environmental liabilities.
- **Property Stewardship.** The budget proposes \$58,000 from the San Joaquin River Conservancy Fund for contracts to support oversight and preventative maintenance of vacant properties owned by the Conservancy. These funds will also provide sanitation and security for one public access site at Friant Cove. These revenues are generated from rental lease payments on conservancy owned properties.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposals.

3835 Baldwin Hills Conservancy

Background. The Baldwin Hills Conservancy (BHC) acquires and manages public lands within the Baldwin Hills area to provide recreational facilities, open space, wildlife habitat restoration, and educational services.

Governor's Budget. The Governor's budget proposes \$415,000 to support BHC in the budget year. There are no additional bond funds available dedicated to BHC.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget as proposed.

3845 San Diego River Conservancy

Background. The San Diego River Conservancy (SDRC) acquires and manages public lands within the San Diego River Area. It acquires lands to provide recreational opportunities, open space, wildlife habitat, species protection, wetlands protection and restoration, and protection and maintenance of the quality of the San Diego River. This Conservancy is relatively new and does not have bond funds specifically allocated for its operations.

Governor's Budget. The Governor's budget proposes \$292,000 to support SDRC in the budget year.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget as proposed.

3850 Coachella Valley Mountains Conservancy

Background. The Coachella Valley Mountains Conservancy (CVMC) acquires and holds, in perpetuity, open space, mountainous lands surrounding the Coachella Valley and natural community conservation lands within the Coachella Valley.

Governor's Budget. The Governor's budget proposes \$272,000 to support CVMC in the budget year. The budget also includes the following proposal:

- **Capital Outlay and Grants.** The budget proposes \$500,000 in reimbursements for capital outlay and grants for acquisition, protection, and development of lands within the Coachella Valley and the surrounding mountains.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposals.

3860 Department of Water Resources – CERS Division

Background. The Department of Water Resources' California Energy Resources Scheduling (CERS) division manages billions of dollars in long-term electricity contracts. The CERS division was created in 2001 during the state's energy crisis to procure electricity on behalf of the state's three largest investor owned utilities (IOUs). The CERS division continues to be financially responsible for the long-term contracts entered into by the department. (Funding for the contracts comes from ratepayer-supported bonds.) The IOUs manage the receipt and delivery of the energy procured by the contracts.

Governor's Budget. The Governor's Budget proposes \$5 billion to fund the CERS division of the Department of Water Resources (DWR). This is \$239 million, or 4.5 percent, below estimated expenditures in the current year, which reflects a slight reduction in the amount of electricity purchased under contract for the budget year.

Summary of Expenditures				
(dollars in thousands)	2005-06	2006-07	\$ Change	% Change
Type of Expenditure				
Energy Purchases	\$4,307,880	\$4,072,784	-\$235,096	-5.5
Interest Expense - Revenue Bonds	525,672	525,672	0	0.0
Payment of Principal - Revenue Bonds	409,395	409,990	595	0.1
Administration	32,502	28,202	-4,300	-13.2
Total	\$5,275,449	\$5,036,648	-238,801	-4.5

Administrative Costs. Of the \$28 million proposed in administrative costs for the budget year, \$16 million actually funds administration in DWR. The remaining \$12 million represents a pro rata change for government-wide administrative costs. The \$16 million figure is a reduction of nearly \$10 million from estimated expenditures in the current year, which were over-estimated.

Staff Recommendation. Staff recommends that the Subcommittee approve funding for DWR's CERS division as budgeted.

3780 Native American Heritage Commission

Background. The Native American Heritage Commission (NAHC) preserves and protects California's Native American cultures. The commission's powers and duties include identifying and cataloging important geographic sites, aiding Native Americans in gaining access to these sites, protecting burial and sacred sites, and ensuring that remains are treated appropriately. The commission also works to mitigate the negative impacts of development on the state's Native American cultural resources.

Governor's Budget. The Governor's budget provides \$539,000 to support the NAHC in the budget year. This is about the same level as estimated for expenditure in the current year.

Summary of Expenditures				
(dollars in thousands)	2005-06	2006-07	\$ Change	% Change
Type of Expenditure				
Native American Heritage	\$556	\$539	-\$17	-3.1
Total	\$556	\$539	-\$17	-3.1
Funding Source				
General Fund	\$531	\$534	\$3	0.6
Budget Act Total	531	534	3	0.6
Reimbursements	25	5	-20	-80.0
Total	\$556	\$539	-\$17	-3.1

1. Implementation of Recent Mandates – Informational Issue

Background. Legislation (SB 18) was enacted in 2004 to require that every city and county planning agency consult with California Native American tribes during preparation or amendment of a general plan. Local governments contact the NAHC to help in making the connection between the relevant tribes and local government officials.

Legislation (AB 978) enacted in 2001 establishes a process for repatriating Native American human remains and cultural items that are in the possession of any state or local agency or museum that receives state funds. The legislation also created a Commission to mediate disputes and impose civil penalties.

Implementation Status. Staff understands that the Commission created under AB 978 has been appointed, but that rules and regulations have not been developed and there has been little to no activity by the Commission thus far.

Questions.

- What is the status of implementation of SB 18?
- What is the estimated compliance rate of local governments for implementing SB 18?
- What is the current status of the Repatriation Commission established by AB 978?
- Have any remains or sacred objects been repatriated under this legislation?
- What is the current funding for implementation of both these programs?

0540 Secretary for Resources

Background. The Secretary for Resources heads the Resources Agency. The Secretary is responsible for overseeing and coordinating the activities of the departments, commissions, conservancies, and other boards and authorities that make up the Resources Agency.

Governor's Budget. The Governor's Budget proposes \$51 million to support the Secretary for Resources in 2006-07. This is nearly 40 percent less than estimated expenditures in the current year due to a reduction in the resources bond funds available for appropriation and one-time money allocated in the current year budget for ocean projects. The Secretary for Resources does not receive any General Fund support.

Summary of Expenditures				
(dollars in thousands)	2005-06	2006-07	\$ Change	% Change
Type of Expenditure				
Administration	\$82,298	\$50,819	-\$31,479	-38.3
Total	\$82,298	\$50,819	-\$31,479	-38.3
Funding Source				
General Fund	\$0	\$0	\$0	0.0
Special Funds	3,057	3,072	15	0.5
Bond Funds	78,536	46,983	-31,553	-40.2
<i>Budget Act Total</i>	<i>81,593</i>	<i>50,055</i>	<i>-31,538</i>	<i>-38.7</i>
Federal Trust Fund	184	236	52	28.3
Reimbursements	521	528	7	1.3
Total	\$82,298	\$50,819	-\$31,479	-38.3

1. River Parkways Program

Background. Legislation was enacted as part of the 2004-05 budget trailer bill (SB 1107) that provides the administration with guidelines for awarding the River Parkways grants. This bill also provided \$10 million in Proposition 50 bond funds for River Parkway grants for 2004-05. The 2005 Budget Act contained an additional \$30.9 million from Propositions 40 and 50 bond funds for this program.

Grant applications for the \$40-plus million that has been allocated thus far were due October 2005. The first round of grants is scheduled to be awarded in March or April of this year.

Governor's Budget. The Governor's Budget proposes to allocate an additional \$30.9 million in the budget year from Propositions 40 and 50 resources bonds to fund the River Parkways Program. This leaves approximately \$20 million in Proposition 50 bond funds for River Parkways available for appropriation in future years.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget request.

2. Sierra Nevada Cascade Grant Program

Background. Legislation was enacted as part of the 2004-05 budget trailer bill (SB 1107) that provides the administration with guidelines for awarding Sierra Nevada Cascade grants. This bill also provided \$4.15 million in Proposition 50 bond funds for River Parkway grants for 2004-05. The 2005 Budget Act contained an additional \$11.65 million from Proposition 50 for this program.

In December 2005, the Secretary for Resources released draft grant guidelines for public comment. Final guidelines are to be released in early March. Grant applications are due in late April and grants should be awarded before the end of the current fiscal year.

Governor's Budget. The Governor proposes to allocate \$11.7 million in the budget year from Proposition 50 resources bonds to fund the Sierra Nevada Cascade Conservation Grant Program. This leaves no remaining bond funds for this grant program available for appropriation in future years.

Coordination with Sierra Nevada Conservancy. The 2005 Budget Act required the Secretary for Resources, in consultation with the Sierra Nevada Conservancy, to submit a plan for the coordination of grant programs in the Sierra Nevada region. The plan that was submitted outlines the following activities to ensure coordination:

- Grant applications within the boundary of the Sierra Nevada Conservancy shall justify the proposals in terms of furthering the mission and goals of the Conservancy.
- The Conservancy will provide a representative to participate on the technical review committee which will evaluate and score the proposals.

Staff Recommendation. Staff recommends that the Subcommittee withhold action until the final grant guidelines are released.

3. Missing Reports

Resource Management. Over the past several years, five resources bonds approved by the voters have provided funding for land acquisitions. Despite the increase in habitat, parkland, and open space acquired, there have been significant reductions in the funding available to manage these properties. The lack of basic maintenance funding can result in threats to human health if contamination issues are not addressed on state properties. Furthermore, lack of routine maintenance can result in the deterioration of habitat due to the spread of invasive species and fuels that cause a catastrophic fire threat.

In order to start thinking about solutions to this growing problem, the Legislature requested that the Secretary for Resources prepare an options report for funding resource management activities over the long term. This report was due to the Legislature January 10, 2006, but, to date, has not been received.

Department of Fish and Game Report. The Legislature did an extensive review of the Department of Fish and Game's budget over the past year. This process culminated with the request of an extensive report on the department's activities, funding sources, and measured outcomes for each of its programs. The department was to prepare this report in conjunction with the Secretary for Resources. This report was due to the Legislature January 10, 2006, but, to date, has not been received.

Staff Recommendation. Staff recommends that the Subcommittee withhold action on the department's support budget until the reports are submitted.

4. Improving Enforcement of Existing Laws

Enforcement. The California Environmental Protection Agency (Cal-EPA) recently conducted an agency-wide review of its enforcement programs. The review revealed inconsistencies and problems with the ways in which different departments approached enforcement. Cal-EPA is currently implementing 11 different strategies to improve its enforcement activities. The Legislature may wish to pursue a similar effort at the Resources Agency.

The Resources Agency contains several departments that have vast enforcement responsibilities, including the Department of Fish and Game, the Department of Water Resources, and the Department of Forestry and Fire Protection. Effective enforcement of the state's environmental protection laws is critical to protecting the state's public trust resources.

Staff Recommendation. Staff recommends that the Subcommittee direct staff to work with the Office of the Secretary, DOF and the LAO to initiate enforcement review of programs under the Resources Agency.

5. Conservation Easement Registry

Background. Conservation easements are important resource conservation tools that have been used by numerous agencies under the Resources Agency to preserve land values without actually purchasing fee title to the land. Conservation easements can be a cost effective way to preserve natural resource benefits of agricultural land and other open space. The state has purchased numerous conservation easements over the past several years. Some are held by the state, but many are held by private land trusts or other entities.

Some departments are tracking conservation easements, but the state does not have a centralized portal for identifying the universe of conservation easements owned by the state. Since state tax

dollars were used to purchase these conservation easements, natural resource planning and financial responsibility require the ability to locate them.

Staff Recommendation. Staff recommends that the Subcommittee direct staff to work with the Office of the Secretary, DOF and the LAO to develop a portal for identifying and linking up existing databases of state-owned conservation easements.

6. California Environmental Quality Act Equivalent Programs – Informational Item

Background. Legislation (SB 1393, Kuehl) enacted in 2002 required the Secretary for Resources to develop a protocol to evaluate California Environmental Quality Act (CEQA) equivalent certified regulatory programs. These programs are designated by the Secretary for Resources as functionally equivalent to CEQA and do not require the completion of the Environmental Impact Reports required under CEQA.

The administration submitted a protocol to the Legislature in July 2004 that included some suggestions to improve the certification process and give to the Secretary express authority to de-certify programs that fail to meet the criteria for the certified regulatory programs. However, the administration's report did not evaluate whether the state's current certified regulatory programs are consistent with the new protocol.

Questions.

- Please provide an update of work undertaken since last year to evaluate whether the state's current certified regulatory programs are consistent with the protocol.

7. California Ocean Protection Council – Informational Item

Background. Legislation (SB 1319, Burton) enacted in 2004 established the California Ocean Protection Act with the goal of establishing better coordination among state agencies that oversee protection of coastal and marine waters. The act creates an Ocean Protection Council that is required to report to the Governor and to the Legislature on changes in law and policy needed to meet goals related to ocean and coastal protection.

Recently, the Office of the Secretary posted a job announcement for an Executive Policy Officer for the Ocean Protection Commission. Staff understands that this new position would be housed in the Office of the Secretary. Legislation creating the Ocean Protection Council designates the State Coastal Conservancy as the staff to the Council.

Questions.

- Will the new Policy Officer be housed at the Conservancy or at the Resources Agency?

3560 State Lands Commission

Background. The State Lands Commission (SLC) is responsible for the management of lands that the state has received from the federal government. These lands total more than four million acres and include tidelands, submerged lands, swamp and overflow lands, the beds of navigable waterways, and vacant state school lands.

Governor's Budget. The Governor's Budget proposes \$21 million in special funds for SLC. This is an increase of \$1.5 million over the estimated expenditures in the current year. This increase is due to a one-time expenditure, in the budget year, to fund remediation of a toxic site owned by the state. General Fund support for the department is also proposed to increase due to this budget proposal.

Summary of Expenditures				
(dollars in thousands)	2005-06	2006-07	\$ Change	% Change
Type of Expenditure				
Mineral Research Management	\$6,764	\$6,967	\$203	3.0
Land Management	8,318	8,997	679	8.2
Marine Facilities Division	8,548	9,164	616	7.2
Executive and Administration	3,182	3,214	32	1.0
<i>less distributed administration</i>	<i>-3,182</i>	<i>-3,214</i>	<i>-32</i>	<i>0.0</i>
Total	\$23,630	\$25,128	\$1,498	6.3
Funding Source				
General Fund	\$8,867	\$9,730	\$863	9.7
Special Funds	10,963	11,582	619	5.6
<i>Budget Act Total</i>	<i>19,830</i>	<i>21,312</i>	<i>1,482</i>	<i>7.5</i>
Land Bank Fund	425	416	-9	-2.1
Reimbursements	3,375	3,400	25	0.7
Total	\$23,630	\$25,128	\$1,498	6.3

1. Selby Slag Remediation

Background. The SLC is part of a 1989 Consent Judgment that requires remediation of extensive heavy metal contamination on a 66-acre site in Selby, California, just west of the Carquinez Bridge. Between 1985 and 1970, a lead, gold, and copper smelter operated on the site. Beginning in the late 1940s, the state negotiated leases of tidelands to the American Smelting and Refining Company and its predecessors that directed placement of remnant smelter slag onto

and into state-owned land. The American Smelting and Refining Company and SLC were sued in 1983 to allocate liability for cleanup costs at the site, which led to the 1989 Consent Judgment. Thus far, \$7.5 million has been allocated since 1988 for the state's share of clean up at the site.

Governor's Budget. The Governor's Budget proposes \$1.3 million General Fund to fund the state's portion of remediation work at the state-owned land in Selby. These funds will be used to fund shoreline stabilization and water quality monitoring, which are remedies proposed by the Department of Toxic Substances Control. The majority of this funding is proposed as a one-time expenditure with the exception of a \$50,000 allocation proposed for annual appropriation over the next 5 years to fund a contract to monitor water quality at the site.

Loan to Fund Previous Work. The 2004 Budget Act included \$970,000 in funding from the Toxic Substances Control Account as a loan to the General Fund to pay the state's share of funding to close a sewage waste pond and replace a sewer line on this state-owned property in Selby. The loan was proposed for repayment on June 30, 2010. The Toxic Substances Control Account is managed by the Department of Toxic Substances Control and the account is currently facing a structural deficit of over \$12 million due to a declining fee base.

Special Fund Loan Repayments. Outstanding loan balances of over \$1.3 billion remain from various special fund loans across state government. The Governor's budget proposes to repay \$148 million in special fund loans in the budget year. It is not clear what priorities were used by the administration in determining which special funds would be repaid in the budget year and which would not. The Governor does not propose repayment of the Toxic Substances Control Account even though the account is currently suffering from a serious structural deficit that will impact program activities at the Department of Toxic Substances Control.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the budget proposal to allocate \$1.3 million in General Fund monies to remediation work at the Selby site.
- Direct DOF to report back to the Subcommittee on the rationale for repaying the \$148 million in special fund loans in the budget year and why the loan from the Toxic Substances Control Account was not included in this list.

2. Review of Liquefied Natural Gas and Marine Oil Terminal Applications

Background. The SLC is responsible for ensuring that mineral resources are developed in a way that protects public health and safety as well as the environment. This involves review of documents prepared under the California Environmental Quality Act (CEQA) related to changes to marine oil terminals and other mineral extraction facilities. The Commission is also the CEQA lead agency for liquefied natural gas (LNG) terminals proposed offshore of California. The offshore LNG terminals are subject to the federal Deepwater Port Act, which requires joint Environmental Impact Report (EIR)/Environmental Impact Statement (EIS) to be completed on LNG applications within 365 days of receiving the application. The joint EIR/EIS must be

provided to the Governor for acceptance or rejection by the 311th day. If the Governor approves the application, the environmental documents, along with a land lease application, must be brought before the SLC.

The Commission is currently involved in reviewing applications for the following LNG facilities:

- **Cabrillo Deepwater Port - BHP Billiton.** This facility is proposed to be located 14 miles offshore of the Ventura/Los Angeles county border. The facility is proposed to handle 800 million cubic feet per day (MMcfd). The draft EIS/EIR for this project was completed in November 2004. Revisions to the draft EIS/EIR are expected to be released for an additional 45 day review in March 2006. Following this public review a revised EIS/EIR is expected to go back to the commission in August 2006.
- **Clearwater Port LNG Project - Crystal Energy.** This facility is proposed to be located 11 miles offshore of Ventura County. The facility is proposed to handle 800 MMcfd. Crystal has submitted an application, but the application is not complete. The SLC expects to receive a completed application in March 2006.
- **Sound Energy Solutions.** This facility is proposed to be located at the Port of Long Beach. The SLC is a trustee agency under CEQA and the City of Long Beach is the lead CEQA agency for the review of this project. This facility is proposed to handle 700 MMcfd. The draft EIS/EIR was released in late 2005 and a final EIS/EIR is expected in early to mid-2006. This facility is under the jurisdiction of the Federal Energy Regulatory Commission (FERC) per the 2005 federal energy bill.

The Commission expects to receive applications in 2006 for the following proposals:

- **Woodside Natural Gas.** The location and capacity of this project are still to be determined.
- **Excelerate Energy.** This proposal is referred to as the Pacific Gateway and will handle from 600 to 1000 MMcfd.
- **Chevron/Texaco.** The location and capacity of this project are still to be determined.

Furthermore, there are nine other LNG facilities proposed for development in Canada, Oregon and Mexico that, if developed, could provide over 5,800 MMcfd in additional capacity. Three facilities located in Baja California have already received permits and construction has commenced on a 1,000 MMcfd facility in Ensenada.

California's current demand for natural gas is approximately 7,000 MMcfd and the California Energy Commission projects that state demand will increase 0.7 percent annually over the next 10 years.

Governor's Budget. The Governor's Budget proposes the following:

- \$114,000 in reimbursements to change one limited-term position to a permanent position to conduct environmental reviews of LNG applications and other energy related projects proposed in state waters.
- \$300,000 from the Oil Spill Prevention and Administration Fund for contracts to continue the development of engineering and maintenance standards for LNG marine terminals. These contract funds are proposed for a two-year limited term.

Workload Justification. The Commission currently has two permanent positions and one limited-term position and had over 6,000 reimbursable hours of environmental review workload in 2004-05. Furthermore, the Commission has had a difficult time recruiting and retaining the limited-term position. Qualified individuals for this type of position are in demand across state government. Converting this limited-term position to permanent status will enable the Commission to fill this position with a qualified person. The positions are fully funded from funds received by the permit applicants.

Given the number of LNG terminals being proposed in Southern California and the likely development of one or more facilities in California water, it is important for the Commission to continue its development of engineering and maintenance standards for LNG terminals. Phase I of this project is being completed with \$400,000 in one-time funds provided in 2004-05 and 2005-06. The Commission has already completed similar standards for Marine Oil Terminals. However, LNG terminals have different requirements since LNG is stored at -258 degrees Fahrenheit and expands 600 times as it warms to ambient conditions (60 degrees Fahrenheit with atmospheric pressure). Furthermore, the different LNG applications being reviewed by the Commission propose different configurations, which require different engineering and maintenance standards. Phase I of this project completed standards for two LNG terminal configurations and Phase II of this project will complete standards for two more LNG terminal configurations currently being proposed.

Interagency Permitting Working Group. The SLC is part of an Interagency Permitting Working Group established to promote communication and support agencies that are involved in the permitting process for LNG facilities. The website of the working group indicates that state agencies reviewing the EIR/EIS for an LNG project address the following issues:

- **Energy Planning Issues.** These issues include demand for natural gas, potential impacts to existing natural gas infrastructure, and others.
- **Safety Impact Analysis Issues.** These issues include safety and security regulations, emergency response, and others.
- **Environmental Impact Analysis Issues.** These issues include impacts on air quality, biological resources, and others.
- **Engineering Issues.** These issues include seismic issues, impacts of ocean traffic on the facility, and others.
- **Issues of Impacts to Public Trust uses of the Port and Surrounding Regions.** These issues include impacts on navigation, public access, and others.
- **Project Alternative Issues.** This includes evaluating alternative supplies of natural gas, alternative location of projects, and others.

The working group website does not indicate which state agency is taking part in the analysis of all of the issues listed above. However, evaluations of these issues are critical in determining what LNG facilities are needed and what the best options may be in order for the state to meet its future natural gas demand. Furthermore, under current law, the Governor has the sole authority to determine whether an application for an offshore LNG plant should be approved. This decision should be based on a thorough analysis of the issues listed above in order to protect California consumers from high prices.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the budget proposals to fund one permanent position and contract resources.
- Direct SLC to provide the Subcommittee with information on which Interagency Permitting Working Group issues are being evaluated by SLC.

3. Tidelands Oil Revenues—Informational Issue

Background. Over the last several years, the Governor's budget has proposed to sweep all of the tidelands oil revenues into the General Fund instead of allocating these funds to the resource priorities set in statute. Public Resources Code §6217 requires that tidelands oil revenues be allocated in the following order:

- Revenues necessary to fund SLC expenditures.
- \$2 million to the California Housing Trust Fund.
- \$8 million to the Department of Fish and Game (DFG) for salmon and steelhead restoration.
- \$2.2 million to DFG for marine life management.
- \$10 million to the Department of Parks and Recreation for deferred maintenance expenses.
- Remaining funds to be deposited in the Natural Resources Infrastructure Fund for preserving and protecting the natural and recreational resources of the state.

Public Resources Code §6217 becomes inoperative July 1, 2006 unless a statute is enacted, which becomes effective on or before January 1, 2007.

The 2005 budget, after the Governor's vetoes, allocated tidelands oil revenues to the following priorities:

- \$2 million for staff and deferred maintenance at the Department of Parks and Recreation.
- \$4 million for salmon and steelhead restoration projects.
- Remaining funds deposited in the General Fund.

Furthermore, legislation (SB 71 and AB 137) was enacted as part of the 2005 budget to direct the creation of a new Oil Trust Fund in the state treasury to fund the abandonment of oil fields in the City of Long Beach. Previously, the City of Long Beach was keeping state tideland revenues in a local abandonment account. The trailer bill language, as enacted, requires the City of Long Beach to transfer all funds held in the local abandonment account to the state Oil Trust Fund and requires transfers of \$2 million monthly from tidelands oil revenues to the state fund starting January 1, 2006. Statute requires the transfers to continue until the fund contains \$300 million. Statute also requires the SLC to report to the Legislature with a forecast for when the Long Beach tidelands will be abandoned and the costs necessary to abandon the oil production facilities.

Governor's Budget. The Governor's budget reflects the projected sunset of Public Resources Code §6217 and the deposit of the state's tideland oil revenues in the General Fund.

Questions.

- Given the impact of oil production in state waters on the environment, why does the administration propose to sweep all of the tidelands oil revenues in to the General Fund?

4. Marine Invasive Species Program

Background. The Marine Invasive Species Program was revised and extended in legislation enacted in 2003 (AB 433, Nation). This program is intended to regulate the release of ballast water within state waters, thereby reducing the introduction of invasive and non-indigenous aquatic species in the state's marine ecosystems. The introduction of invasive species and other bacteria and pathogens from ballast water can negatively impact the environment and the economy and can also pose a threat to the state's drinking supplies.

The statute authorizes SLC to charge a fee of up to \$1,000 for each vessel call in state ports. The SLC is currently charging \$400 per call, which generates approximately \$3.4 million annually to support the Marine Invasive Species Program. The Commission is required to take samples from at least 25 percent of arriving vessels.

Governor's Budget. The Governor's Budget proposes \$151,000 to support two new positions to address the workload associated with the Marine Invasive Species Program. The positions requested include:

- one office technician to assist in processing ballast water reporting and inspection forms.
- one staff service analyst to implement a compliance verification and enforcement component of the program.

Workload Justification. The Commission is currently processing 14,400 ballast water reporting forms annually, which is over 50 percent more than was estimated in the original budget proposal. This increase justifies the one new office technician position requested. (The original budget proposal included funding for two office technician positions to collect and organize data from the ballast water reporting and inspection forms.) Furthermore, timely processing of reporting forms is necessary to implement outreach, education, and enforcement measures to prevent future violations.

The Marine Invasive Species Program currently does not have an enforcement program. The staff service analyst position requested would be used to evaluate the reporting and inspection data to identify potential violations and initiate enforcement actions on noncompliant vessels. A dedicated position for this activity will allow the other two environmental scientist positions to continue development of the program per the Performance Standards Report (see below).

Performance Standards Report. AB 433 required SLC to prepare a report that recommends performance standards for ballast water discharges in California waters. The statute directed that the report be prepared in consultation with the State Water Resources Control Board and in consideration of recommendations provided by a multi-disciplinary advisory panel. This report was submitted to the Legislature in January 2006. This report recommends adoption of interim performance standards that must be met by 2016. The report also recommends adopting a zero detectable discharge standard by 2020.

The report finds that a review is needed of treatment technologies and management practices, and also finds a need for a testing and evaluation center to help certify technologies and management practices that work. The report also finds that incentives may be needed to promote technology development that exceeds the interim standards. The report also recommends that additional funding be provided for expanded biological surveys to evaluate the effectiveness of the state's Marine Invasive Species Program.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the budget proposal to augment staffing for the program.
- Direct the commission to report on the implementation of the recommendations made in the Performance Standards Report, including adjustments needed to the fee supporting the program.

5. Mineral and Land Audit Section

Background. The SLC has a Mineral and Land Audit section that is responsible for performing financial and compliance audits to ensure that the State receives royalties, rents, and other compensation due under its leases. The primary goal of this program is to provide monetary recoveries/savings to the state General Fund.

Governor's Budget. The Governor's budget includes \$142,000 in General Fund monies to support one 2-year limited term audit position to address a backlog of audit work at the commission.

Workload Justification. The SLC currently has three audit staff to complete all of the audit workload related to mineral extraction and lease activities on state lands. The current audit staff is only able to conduct audits reactively and many large state leases are never audited. For example, a major gas field, two major geothermal operations, and numerous hard mineral and commercial operations have not been audited in several years due to staffing constraints. A 2003 lawsuit, brought by the Attorney General, indicated that a company with a dredging lease on state lands had underreported the amount of royalties paid for sand and gravel removed from state lands by more than \$250 million.

Each audit position at the Commission recovered on average \$1.3 million annually in underreported royalties in 2004. This is a 9-to-1 return on investment for the state.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Adopt the budget proposal to augment staffing for this activity.
- Adopt supplemental report language that requires the Commission to report to the Legislature on its audit program, including information on the number of leases, the size of the leases, and the frequency with which each lease is audited given current staffing. This report should be submitted to the Legislature by January 10, 2008.

6. Oceangoing Ship Discharges

Background. Legislation (AB 771, Simitian) was enacted in 2005 to require the SLC to collect information on oceangoing ships that operate in state waters. Information to be collected includes the size of the ship, port of registry, size of crew, holding tank capacity, equipment to pump out sewage and sewage sludge, and expected ports of call. The information collected will be the subject of a report to be submitted to the State Water Resources Control Board on or before February 1, 2007.

Governor's Budget. The Governor's budget includes a one-time allocation of \$35,000 in General Fund monies to collect the data required by AB 771. This will include hiring temporary help to prepare and conduct a survey and to modify the Commission's existing database to include expanded data fields required by the legislation.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

7. School Land Bank Fund

Background. The SLC manages lands that were given to the state by the federal government in order to help support public education. Lease revenues from these lands are deposited in the Teachers' Retirement Fund administered by the California State Teachers' Retirement System (CalSTRS) after SLC recovers its costs. The state initially sold many of the lands granted by the federal government, but in 1984 the Legislature enacted the School Land Bank Act that allowed the Commission to re-invest proceeds of land sales in the School Land Bank Fund to purchase other properties and enhance lease revenues for CalSTRS.

The SLC currently owns about 400,000 acres of land under this program. The majority of the property is in the desert areas of the state.

Governor's Budget. The School Land Bank Fund is expected to have a fund balance of \$59 million at the end of the budget year. This balance has grown over 200 percent from levels in 1996-97.

LAO Recommendation. The LAO finds that SLC has expended almost no money from the School Land Bank Fund to purchase additional property in the past several years. Therefore, lease revenues to CalSTRS have not been enhanced by activities funded by the School Land Bank Fund. The LAO recommends adopting trailer bill language to transfer the balance in the School Land Bank Fund to the Teachers' Retirement Fund for investment by CalSTRS.

Lease Activities on State Lands. Many of the lease activities on remaining state lands include the extraction of solid minerals like aggregate and rock. These activities have serious impacts on water quality and the environment in Southern California where a majority of these facilities are located. Lease revenues from mineral extraction are not sustainable over the long-term and will be costly to decommission when the time comes. Furthermore, the state may also be found partially liable for environmental damage caused by the lessee, as in the case of the Selby site (see summary of this site above).

Staff Recommendation. Staff recommends that the Subcommittee direct SLC to report on the potential impacts of implementing the LAO's recommendation and any potential for unfunded liabilities related to legacy uses of state school lands.

3125 California Tahoe Conservancy

Background. The California Tahoe Conservancy's (CTC) primary objectives are to protect the natural environment of the Tahoe basin, with priority placed on preserving the clarity and quality of the waters of Lake Tahoe. The Conservancy is also dedicated to increasing public access and recreational opportunities at the lake and preserving and enhancing the biodiversity of wildlife habitat in the basin.

Governor's Budget. The Governor's budget proposes \$26 million to support CTC in the budget year. This is almost a 50 percent reduction from estimated expenditures in the current year due to a reduction in the available bond funding for the Commission.

Summary of Expenditures				
(dollars in thousands)	2005-06	2006-07	\$ Change	% Change
Type of Expenditure				
Tahoe Conservancy	\$27,689	\$17,286	-\$10,403	-37.6
Capital Outlay	20,900	8,692	-12,208	-58.4
Total	\$48,589	\$25,978	-\$22,611	-46.5
Funding Source				
General Fund	\$0	\$180	\$180	0.0
Special Funds	6,308	4,746	-1,562	-24.8
Bond Funds	40,820	20,345	-20,475	-50.2
<i>Budget Act Total</i>	<i>47,128</i>	<i>25,271</i>	<i>-21,857</i>	<i>-46.4</i>
Reimbursements	1,259	500	-759	-60.3
Tahoe Conservancy Fund	202	207	5	2.5
Total	\$48,589	\$25,978	-\$22,611	-46.5

1. Environmental Improvement Program

Background. The Environmental Improvement Program (EIP) is a multi-state and multi-agency plan to restore and protect the environment in the Lake Tahoe Basin. This program is being implemented by the CTC along with the Tahoe Regional Planning Authority (TRPA), the Department of Transportation (Caltrans), the Department of Parks and Recreation, and various entities in the State of Nevada. The State of California's total funding share of the EIP is \$275 million (\$207.2 million from CTC, \$52.6 million from Caltrans, and \$15.3 million from Parks).

The Governor, as part of his environmental action plan, has proposed to update the EIP and accelerate its implementation. The next EIP update is currently being planned in conjunction with the development of TRPA's 2007 regional plan.

Governor's Budget. The Governor's budget includes \$20.7 million to implement the EIP in the budget year. This funding is allocated to the following activities:

- **Soil Erosion Control.** The budget provides \$7.5 million for local assistance grants for soil erosion control.
- **Acquisitions.** The budget provides \$1.75 million (\$250,000 for grants and \$1.5 million for capital outlay) for land acquisitions in the Lake Tahoe Basin.
- **Stream Environment Zone and Watershed Restoration.** The budget provides \$6 million (\$1.5 million for grants and \$4.4 million for capital outlay) for projects to restore degraded natural areas to help preserve water clarity in support of the EIP.
- **Wildlife Enhancement.** The budget provides \$1.5 million (\$350,000 for grants and \$1.2 million for capital outlay) for projects and acquisitions that enhance wildlife habitat.
- **Public Access and Recreation.** The budget provides \$4 million (\$2.4 million for grants and \$1.6 million for capital outlay) for projects and acquisitions that improve public access and recreational needs.

Funding EIP Going Forward. The Conservancy has adequate bond funds available to fund the remainder of the EIP through 2007-08. However, additional needs for the Tahoe basin have been identified as part of a 2001 update to the EIP. Furthermore, CTC and TRPA are currently in the process of updating the EIP in conjunction with the 2007 regional plan for the Tahoe basin. Additional needs identified are estimated to cost \$1.2 billion. Funding to meet these future commitments has not been identified.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Adopt the budget proposals related to the EIP.
- Direct the Conservancy to provide the Subcommittee with estimates of funding needed and potential options for continued funding of the EIP after the 2007-08 budget year.

2. Staffing Needs

Background. The CTC currently has 38.6 positions to support its programs. Since the CTC started implementing the EIP, the department has been spending, on average, \$20 million annually to fund projects and acquisitions. This has resulted in an increased workload at the department.

Governor's Budget. The Governor's budget proposes funding two new positions at CTC in the budget year. The positions are as follows:

- **Assistant Executive Officer.** The budget proposes \$136,000 from the Environmental License Plate Fund (ELPF) for one PY.
- **Staff Counsel.** The budget proposes \$139,000 from the ELPF and Habitat Conservation Fund for one PY.

Workload Justification. The CTC indicates that success in implementing the EIP is based on spending a considerable amount of time developing partnerships with the state of Nevada, other state departments, and local governments. Furthermore, the CTC program has grown considerably since the Conservancy started implementation of the EIP in 1998, which has increased internal administrative duties. Therefore, in order to manage both external coordination duties and internal administrative duties, an additional person is justified.

As CTC's EIP program has developed, there has been an increased need for legal support of program activities. For example, CTC now deals with a considerably larger number of grants, contracts, and property transactions requiring legal support. Additional legal support is also needed to manage the growing inventory of conservancy owned lands. Currently, CTC has two PYs for legal support. This additional PY is justified given the growth in workload.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposals.

3. Forest Fuels Reduction

Background. Since 1995, the state has invested \$4.6 million in fuel reduction efforts on urban parcels within the Tahoe basin through the Tahoe ReGreen and other Tahoe ReGreen-type activities. This funding was used to remove excess forest fuels from over 1,900 parcels and 650 acres of urban and forested lands adjoining residential structures in the Tahoe basin. Crews from the California Conservation Corps (CCC) participated in treating over 90 percent of the parcels that were treated.

The Department of Forestry and Fire Protection (CDF) has initiated a four year \$39 million Proposition 40 bond funded fuel reduction program for the entire Sierra Nevada region. This program will provide additional fuel reduction in the Lake Tahoe basin and, over the next four years, could provide fuel reduction to an additional 800 parcels.

Governor's Budget. The Governor's budget proposes \$180,000 in General Fund monies to initiate a regular maintenance cycle for urban parcels treated for fuels hazard reduction purposes. The funding will support a 6-month 12 person CCC crew.

Justification. Regular maintenance of urban parcels treated for forest fuel hazards is critical to maintaining the fire prevention benefits of the fuels reduction. This funding will enable the CCC to maintain 80-120 parcels a year.

The Conservancy estimates that a fully-funded program would cost about \$440,000 annually and would enable the maintenance of all of the parcels initially treated for fuels over a ten-year period.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

3760 State Coastal Conservancy

Background. The State Coastal Conservancy (SCC) is authorized to acquire land, undertake projects, and award grants for the purposes of: (1) preserving agricultural land and significant coastal resources; (2) consolidating subdivided land; (3) restoring wetlands, marshes, and other natural resources; (4) developing a system of public accessways; and (5) improving coastal urban land uses. In general, the projects must conform to California Coastal Act policies and be approved by the conservancy governing board.

Governor's Budget. The Governor's budget proposes \$42 million to support SCC in the budget year. This is over an 80 percent reduction from estimated expenditures in the current year due to a reduction in the bond funds available for appropriation.

Summary of Expenditures				
(dollars in thousands)	2005-06	2006-07	\$ Change	% Change
Type of Expenditure				
Coastal Resource Development	\$4,727	\$4,748	\$21	0.4
Coastal Resource Enhancement	4,595	4,614	19	0.4
Administration	3,167	3,183	16	0.5
Capital Outlay	218,346	32,625	-185,721	-85.1
<i>distributed administration</i>	<i>-3,167</i>	<i>-3,183</i>	<i>-16</i>	<i>0.0</i>
Total	\$227,668	\$41,987	-\$185,681	-81.6
Funding Source				
Special Funds	\$4,683	\$2,101	-\$2,582	-55.1
Bond Funds	180,204	31,498	-148,706	-82.5
<i>Budget Act Total</i>	<i>184,887</i>	<i>33,599</i>	<i>-151,288</i>	<i>-81.8</i>
Reimbursements	26,934	1,921	-25,013	-92.9
Federal Trust Fund	4,136	2,127	-2,009	-48.6
State Coastal Conservancy Fund	5,706	4,340	-1,366	-23.9
Coastal Trust Fund	6,005	-	-	-
Total	\$227,668	\$41,987	-\$185,681	-81.6

1. Public Access Program

Background. The California Coastal Conservancy was designated by statute to accept all access "offers to dedicate" (OTDs) that are set to expire. The Conservancy is also required to open a

minimum of three OTD public accessways annually. For more on OTDs, see Issue 1 under the California Coastal Commission.

Governor's Budget. The Governor's budget includes \$1.3 million from special funds to develop, operate, and maintain public accessways.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

2. Watershed Programs

Governor's Budget. The Governor's budget includes \$23.5 million from Proposition 50 to fund capital projects that protect and improve coastal and San Francisco Bay watersheds and that provide educational and recreational amenities for children related to the restoration of such resources. Projects may address the following:

- Pollution of ocean waters from nonpoint source water pollution.
- Impacts on fish and wildlife from nonpoint source water pollution.
- Improvement to local economies, recreation and scenic values through clean up and trail construction along rivers and streams.
- Recovery of salmonid species.
- Nonstructural flood protection.
- Natural replenishment of coastal beach sand.
- Development of comprehensive watershed plans.
- Development of public access and participation in conservation activities.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

3. California Ocean Protection Council—Informational Item

Background. Recent legislation (SB 1319, Burton) established the California Ocean Protection Act with the goal of creating better coordination among state agencies that oversee protection of coastal and marine waters. The act creates an Ocean Protection Council that is required to report to the Governor and Legislature on changes in law and policy needed to meet goals related to ocean and coastal protection.

The 2004-05 budget provided \$10 million in tidelands oil revenues to support ocean projects. The expenditure of these funds was extended until 2007-08 in the 2005-06 budget.

The 2005-06 budget included \$1.2 million from special funds to support the activities of the Ocean Protection Council.

Governor's Budget. The Governor's budget includes \$1.2 million from special funds in the State Coastal Conservancy's base budget to support the Ocean Protection Council. Approximately \$200,000 of this allocation is being used to support one PY at the SCC.

Update on Expenditures. As mentioned above, approximately \$200,000 of the \$1.2 million is being used to support administrative costs related to the Ocean Protection Council at the SCC. The remaining funding has been awarded to the following projects:

- Sustainable Fisheries Revolving Loan Fund Planning Grant - \$101,300 to Environmental Defense.
- California and the World Ocean '06 Conference - \$150,000 to complete the conference.
- Request for Proposal to analyze options for permanent funding for ocean and coastal protection - \$50,000 to a recipient that is yet to be determined.
- California Coastal and Marine Mapping Initiative - \$45,000 to the Monterey Bay National Marine Sanctuary Foundation.
- California Aquatic Invasive Species Management Plan - \$110,000 to the San Francisco Estuary Project.

Of the \$10 million in tidelands oil revenues, approximately \$3.2 million has been allocated to the following projects:

- Matilija Dam Ecosystem Restoration Project - \$400,000.
- Sea Grant Ocean and Coastal Research Project - \$1 million to the California Sea Grant College Program and USC Sea Grant Program.
- MorroBay Ecosystem-based Management - \$45,000 to the Cal Poly San Luis Obispo Center for Coastal Marine Science.
- California Coastal and Marine Mapping Initiative - \$1.2 million to the Monterey Bay National Marine Sanctuary Foundation.

Questions.

- The Council is currently conducting a strategic planning process. How do the expenditures already approved by the Council fit into this process?

3. Review of Liquefied Natural Gas Terminal Applications – Informational Item

Background. The SCC is involved in land acquisition and restoration along the state's coast. It is also staff to the new Ocean Protection Council that is charged with protecting the state's ocean resources. Given these responsibilities, the SCC has a direct interest in potential LNG facilities proposed to be sited off the coast of California.

Development of LNG facilities in California continue (see the discussion under the State Lands Commission earlier in this report for more details), but there remains little formal state guidance on what type of facility is preferred for the state. The SCC is part of the Interagency Permitting Working Group for LNG (see State Lands Commission for additional discussion). The website of the working group indicates that state agencies reviewing the EIR/EIS for an LNG project are addressing a myriad of issues.

Staff Recommendation. Staff recommends that the Subcommittee direct SCC to provide the Subcommittee with information on which Interagency Permitting Working Group issues are being evaluated by SCC.

3855 Sierra Nevada Conservancy

Background. Legislation was enacted in 2004 (AB 2600) to create a new Sierra Nevada Conservancy (SNC) to provide a vehicle for increasing and coordinating state and federal investments in the Sierra Nevada region. The region contains the mountains and the foothills of the Sierra Nevada range and certain adjoining areas, including Mono Basin, the Owens Valley and part of the southern Cascade region. The jurisdiction covers all or portions of 22 counties from Shasta and Modoc counties in the north to Kern County in the south. Six geographic sub-regions have been defined within the conservancy boundaries. The conservancy is prohibited from acquiring fee title to land.

Governor's Budget. The Governor's budget proposes \$3.7 million to support SNC in the budget year. This is about the same level of funding as estimated for expenditure in the current year. The 2005-06 budget year was the first full year the Conservancy was in operation.

Summary of Expenditures				
(dollars in thousands)	2005-06	2006-07	\$ Change	% Change
Type of Expenditure				
Sierra Nevada Conservancy	\$3,581	\$3,662	\$81	2.3
Total	\$3,581	\$3,662	\$81	2.3
Funding Source				
Special Funds	3,381	3,462	81	2.4
<i>Budget Act Total</i>	<i>3,381</i>	<i>3,462</i>	<i>81</i>	<i>2.4</i>
Reimbursements	200	200	0	0.0
Total	\$3,581	\$3,662	\$81	2.3

1. Sierra Nevada Conservancy Start Up

Background. Significant funding was provided in the 2005-06 budget for the initial strategic program planning process required by statute as well as various equipment to enable teleconferencing and geographic information system capabilities. While these expenditures were justified, their nature is not ongoing. Therefore, the Legislature adopted supplemental report language requiring the conservancy to report to the Legislature on its total expenditure requirements for future budget years, including the amount, purpose and term of these expenditures. This report has not yet been submitted to the Legislature.

Governor's Budget. The Governor's budget for SNC does not reflect a reduction for one-time expenditures that were included in the 2005-06 budget.

LAO Recommendation. The LAO has recommended withholding action on SNC's budget until the required report has been submitted.

Staff Recommendation. Staff recommends that the Subcommittee hold the budget for the Sierra Nevada Conservancy open.

8770 Electricity Oversight Board

Background. The Electricity Oversight Board (EOB) was created by Chapter 854, Statutes of 1996 (AB 1890, Brulte), which deregulated California's wholesale electricity industry. The board was created to oversee the California Independent System Operator (ISO), which manages the transmission grid serving most of California, and the Power Exchange (PX), which, for a time, was the marketplace through which all electricity in the state was bought and sold. The EOB was also given very broad authority over ensuring reliability of the state's supply of electricity.

Governor's Budget. The Governor's budget proposes \$3.9 million to support EOB in the budget year. This is approximately the same level of funding as is estimated for expenditure in the current year.

Summary of Expenditures				
(dollars in thousands)	2005-06	2006-07	\$ Change	% Change
Type of Expenditure				
Administration	\$3,860	\$3,903	\$43	1.1
Total	\$3,860	\$3,903	43	1.1
Funding Source				
General Fund	\$0	\$0	0	0.0
Special Funds	3,860	3,903	43	1.1
<i>Budget Act Total</i>	<i>3,860</i>	<i>3,903</i>	<i>43</i>	<i>1.1</i>
Federal Trust Fund	0	0	0	0.0
Reimbursements	0	0	0	0.0
Total	\$3,860	\$3,903	43	1.1

Staff Recommendation. Staff recommends that the Subcommittee approve funding for EOB as budgeted.

1. Review of Liquefied Natural Gas Terminal Applications – Informational Item

Background. The EOB oversees the wholesale electricity industry. The prices charged by the wholesale electricity industry are impacted considerably by the price of natural gas because over three-quarters of electricity production by wholesale generators in California is derived from

natural gas. Following the state's attempt to deregulate the electricity industry, the CPUC directed the investor owned utilities to sell their gas-fired electricity generation plants to private entities.

Development of LNG facilities in California continue (see the discussion under the State Lands Commission earlier in this report for more details), but there remains little formal state guidance on what type of facility is preferred for the state. The EOB is part of the Interagency Permitting Working Group for LNG (see State Lands Commission for additional discussion). The website of the working group indicates that state agencies reviewing the EIR/EIS for an LNG project are addressing a myriad of issues.

Staff Recommendation. Staff recommends that the Subcommittee direct EOB to provide the Subcommittee with information on which Interagency Permitting Working Group issues are being evaluated by EOB.

8660 Public Utilities Commission

Background. The California Public Utilities Commission (CPUC) is responsible for the regulation of privately owned public utilities, such as gas, electric, telephone, and railroad corporations, as well as certain passenger and household goods carriers. The commission's primary objective is to ensure adequate facilities and services for the public at equitable and reasonable rates. The commission also promotes energy conservation through its various regulatory decisions.

Governor's Budget. The Governor's Budget proposes \$1.2 billion to support CPUC in the budget year. This is approximately the same level of funding as is estimated for expenditure in the current year. The commission does not receive any General Fund support.

Summary of Expenditures				
(dollars in thousands)	2005-06	2006-07	\$ Change	% Change
Type of Expenditure				
Regulation of Utilities	\$350,685	\$364,956	\$14,271	4.1
Universal Service Telephone Programs	858,035	861,420	3,385	0.4
Regulation of Transportation	16,498	17,509	1,011	6.1
Administration	16,435	20,925	4,490	27.3
<i>less distributed administration</i>	<i>-16,435</i>	<i>-20,925</i>	<i>-4,490</i>	<i>0.0</i>
Total	\$1,225,218	\$1,243,885	18,667	1.5
Funding Source				
General Fund	\$0	\$0	0	0.0
Special Funds	1,211,407	1,229,960	18,553	1.5
<i>Budget Act Total</i>	<i>1,211,407</i>	<i>1,229,960</i>	<i>18,553</i>	<i>1.5</i>
Federal Funds	1,119	1,139	20	1.8
Reimbursements	12,692	12,786	94	0.7
Total	\$1,225,218	\$1,243,885	18,667	1.5

1. Division of Ratepayer Advocates

Background. The Office of Ratepayer Advocates was created in 1985 to represent ratepayers in CPUC proceedings. Legislation (SB 608, Escutia), enacted in 2005, renamed the Office to the Division of Ratepayer Advocates (DRA). This legislation also authorizes the DRA Director to

appoint a lead attorney who serves at the pleasure of the Director and requires the DRA Director to develop the DRA budget subject to PUC approval.

Governor's Budget. The Governor's Budget proposes \$154,000 in special funds to fund one lead attorney position within the DRA, consistent with recently enacted legislation (SB 608, Escutia).

The budget also proposes to redirect six positions from DRA's electricity analysis branch to its water and telecommunications activities.

DRA's Staffing. The DRA currently has 122 positions. At its largest, in the mid-1990s, the division was nearly twice this size. The Legislature added 10 additional positions to DRA in the 2005-06 budget to address increased workloads associated with telecommunications and water proceedings at the commission, but these positions were vetoed. There is evidence that the Division's workload related to telecommunications and water proceedings at the commission has increased and that additional staff resources are needed. However, the redirections from the electricity analysis branch proposed in the budget will likely be damaging to the Division's ability to represent ratepayer interests adequately in electricity proceedings.

More information is needed on an adequate level of baseline funding for DRA to carry out all of its statutory mandates. The nature of the Commission's work is varied and will always require some annual prioritizing related to the Commission's annual work plan. However, more information is needed on the current allocation of positions at DRA as well as a measurement of the Division's ability to meet all of its statutory mandates. If possible, information is also needed on positions needed to support ongoing programmatic activities within the Division versus involvement in regulatory and policy proceedings before the Commission.

Staff Recommendation. Staff recommends that the Subcommittee direct the DRA, in consultation with the CPUC, to provide additional information on DRA's current staffing, including:

- Current allocation of positions within DRA.
- Identification of the statutory mandates on the DRA and a metric of the Division's ability to meet these mandates.
- If possible, information on positions needed to support ongoing programmatic activities within the Division versus involvement in regulatory and policy proceedings before the Commission.

2. Telecommunications Division

Background. The Telecommunications Division assists the Commission in developing and implementing policies and procedures in the interest of consumers in all telecommunications markets, and in addressing regulatory changes required by state and Federal legislation. The Division also assists the Commission's oversight of a competitive market by ensuring that consumers are protected from fraud and abuse and receive affordable and universal access to necessary services.

Governor's Budget. The Governor's budget proposes to redirect one position from the administration of the High Cost A program and Universal Lifeline Telephone Service Program (ULTS) to participate in and inform telecommunications proceedings at the Federal Communications Commission (FCC) and to influence federal legislation.

The CPUC is also redirecting three positions administratively (without a budget proposal) from the High Cost B program, new carrier certification, and commission-wide information technology support to the oversight and administration of the Deaf and Disabled Telecommunications Program.

Understanding the Redirections. It is unclear to staff what distinguishes the budget proposals to redirect positions from the administrative redirection of positions. The nature of the Commission's work varies from year to year and will require some annual prioritizing related to the Commission's annual work plan. However, the administrative redirections involve transferring a position from one division to another division. Additional clarification is needed on the Commission's policy for redirecting staff administratively as opposed to redirection through a budget proposal.

Telecommunication Division Staffing. The Telecommunications Division currently has 35.3 positions (not including administrative overhead). Staff throughout the Commission also works on telecommunications activities and there are 60.8 total staff working on telecommunications activities (including the Telecommunications Division).

It is well documented that telecommunications policy is currently being driven by rapid technological changes that are national and even global in scope. This has led to a shift from state-centric regulation to the FCC and U.S. Congress. Since CPUC's programs and regulatory activities will be impacted by changes in federal law and policy, it makes sense that the CPUC have a presence in those federal venues involved in setting policy. The CPUC had 3.3 positions dedicated to federal telecommunication activities in 2004-05. However, the redirections proposed in the budget will reduce review of the High Cost A and ULTS program and will result in delays related to processing claims to the telecommunications carriers.

More information is needed on what might constitute an adequate level of baseline funding in order for the Telecommunications Division to carry out its statutory mandates. More information is needed on the Division's ability to meet statutory mandates with current staffing levels. If possible, information is also needed on the positions necessary to support ongoing programmatic activities within the Division versus involvement in regulatory and policy proceedings before the Commission.

Staff Recommendation. Staff recommends that the Subcommittee direct the CPUC to provide additional information on the Telecommunications Division, including:

- Identification of statutory mandates related to telecommunications and a metric of the Division's ability to meet these mandates with current staffing.
- If possible, information on positions needed to support ongoing programmatic activities within the Division versus involvement in regulatory and policy proceedings before the Commission.

3. Energy Division

Background. The Energy Division advises the Commission on whether to approve, deny, or modify all electric and natural gas utility requests not assigned for hearing. The division also assists the Commission in developing and monitoring competitive services, economic regulation of remaining monopoly services, and implementing regulatory objectives and programs for electricity and natural gas industries. The division also provides analysis on consumer protection, the assurance of safe and reliable service, and the consideration of environmental issues.

Governor's Budget. The Governor proposes to redirect twelve positions from the payphone consumer protection program and all other energy programs to implement the Governor's climate action strategies.

The Governor's budget proposes to redirect one position from the Low-Income Oversight Board to implement advanced metering programs.

The Governor's budget proposes to redirect three positions from the payphone consumer protection program to evaluate and verify energy efficiency savings per a recent order by the Commission to shift evaluation of the energy efficiency programs administered by the utilities to the CPUC, which is to work in conjunction with the California Energy Commission (CEC).

The Governor's budget proposes to redirect two positions from non-general rate case utility rate review and small utility general rate cases to focus on general rate cases for Pacific Gas & Electric and Southern California Edison.

The Governor's budget proposes to redirect three positions from electricity reliability activities and the Low-Income Oversight Board to renewable energy and distributed generation activities.

The Governor's budget proposes to redirect two positions from the Low-Income Oversight Board to monitoring electricity procurement activities.

The CPUC is also redirecting three positions administratively (without a budget proposal) from small water rate cases and electricity cost of capital analysis to review of electricity re-powering projects.

Redirection Issues. The majority of the Commission's regulatory activities are supported by the Utilities Reimbursement Account. The payphone consumer protection program, however, is supported by a separate funding source. Funding for the program would, therefore, need to be adjusted. Furthermore, the Commission's budget proposal would result in effectively eliminating the payphone consumer protection program as it was established in statute. If this proposal were to be adopted, it would require statutory changes to implement. The Commission has indicated this in its budget proposal, but has not recommended changes in statute.

Energy Division Staffing. The Energy Division currently has 70 positions (not including administrative overhead). These positions include the division director, three branch managers and positions supporting the following activities:

- **Energy Resources Branch**
 - Procurement and Resource Adequacy – 6 PYs
 - Renewable and Distributed Generation – 5 PYs
 - Energy Efficiency – 7 PYs
 - Demand Response and Load Serving Entities Programs – 7 PYs
- **Ratemaking Branch**
 - Transmission Policy and Rates (at the Federal Energy Resources Commission) – 6 PYs
 - State Electric Rates – 9 PYs
 - Federal and State Gas – 7 PYs
- **Transmission Permitting and Reliability Branch**
 - Low Income Programs – 6 PYs
 - Transmission Permitting – 7 PYs
 - Transmission and Distribution Reliability - 6 PYs

There is merit to increasing many of the programs proposed for additional positions in the Governor's budget. However, there are considerable concerns about the impacts to programs that are being reduced to accomplish the redirections. Staff has determined that redirections will result in slower and less stringent review of some activities. The reduction of staffing for the Low-Income Oversight Board will reduce the involvement of this board in informing the Commission of issues related to low-income utility customers.

More information is needed on what might constitute an adequate level of baseline funding in order for the Energy Division to carry out its statutory mandates. The nature of the Commission's work is varied and will always require some annual prioritizing related to the Commission's annual work plan. However, more information is needed on the Division's ability to meet statutory mandates with current staffing levels. If possible, information is also needed on positions needed to support ongoing programmatic activities within the Division versus involvement in regulatory and policy proceedings before the Commission.

Staff Recommendation. Staff recommends that the Subcommittee direct CPUC to provide additional information on the Energy Division, including:

- Identification of statutory mandates related to energy and a metric of the Division's ability to meet these mandates with current staffing.
- If possible, information on positions needed to support ongoing programmatic activities within the Division versus involvement in regulatory and policy proceedings before the Commission.

4. Railroad Safety Branch

Background. The Railroad Safety Branch of the Consumer Protection and Safety Division of the CPUC has oversight regarding the safety of heavy freight and passenger railroads. The commission conducts rail safety inspections, investigates rail accidents, approves all applications

for new construction or modifications to existing highway/rail crossings, and develops new safety initiatives based on inspection and investigative activities.

A recent court decision found that the CPUC did not have regulatory jurisdiction over railroad operating practices, but that in order to affect these practices, applications must be made to the Federal Railroad Administration, which has regulatory jurisdiction over the operations of heavy freight and passenger railroads.

Governor's Budget. The Governor's budget proposes the following activities to enhance the Commission's rail safety activities:

- **Rail Safety.** Proposes \$946,000 to permanently establish ten limited-term positions authorized in the 2005 budget to implement the state's Rail Safety Action Plan.
- **Rail Crossing Safety.** Proposes \$252,000 to fund three new positions to allow for more investigations of rail crossing incidents.
- **Safety and Security of Transit.** Proposes \$180,000 to fund two new positions to augment the rail transit safety program and rail transit security oversight activities.

Workload Justification. The ten positions included in the 2005-06 budget to implement the state's Rail Safety Action Plan were approved on a limited-term basis by the Governor due to deficiencies in the Commission's accounting practices for the rail program which have been identified in a 2004 audit by the Bureau of State Audits. Since then, the Commission has implemented all of the recommendations made by the auditor. The activities supported by these positions include inspectors and analysts needed to comply with statutorily mandated rail safety inspections. These activities are ongoing in nature and limited-term positions are not appropriate.

The positions requested for rail crossing safety activities will be used to conduct additional accident investigations. The Commission investigated only ten crossing accidents in 2004, which is less than 15 percent of all crossing accidents that year. The ability to review accidents aids in determining the root causes of the accidents which, in turn, can spur the development of policy to address the problems identified. Additional positions are also needed to respond to a new rule by the Federal Railroad Administration (FRA) designating certain crossings as Quiet Zones. Designation of new Quiet Zones (crossings where the train is not allowed to sound its horn) will require additional data analysis by the department in order to make recommendations to the FRA.

The Rail Transit Safety Program currently has eleven positions. However, due to the number of extensions as well as to major new construction, the workload has expanded. Furthermore, the Commission does not have a developed rail transit security program. An additional staff person would allow the Commission to comment meaningfully on transit agency security plans in order to ensure that recommendations made by the Department of Homeland Security are being implemented.

Staff Recommendation. Staff recommends that the Subcommittee do the following:

- Approve the budget proposal for the rail safety branch.

- Require the Commission to report on the outcome of the Rail Safety Working Group funded by the 2005-06 budget.

5. Consumer Service and Information Division

Background. The Consumer Service and Information Division's primary functions are to assist consumers, provide information to the public and communicate with various communities within California.

Governor's Budget. The Governor's budget proposes to redirect one position from the Commission's Southern California Outreach Program to create a small business liaison.

Redirection Impact. The impact of this redirection will be to eliminate the outreach position in the Inland Empire. There remain two outreach positions in Southern California, one in San Diego and one in Los Angeles.

Workload Justification. This small business liaison position would help to raise awareness of utility issues within small business advocacy groups and organizations. Historically, these organizations have not participated at the commission on a regular basis. Small business customers are currently faced with the highest category of electricity rates. Furthermore, the record, in several other key regulatory issues, reflects a lack of involvement by the small business community.

Consumer Service and Information Division Staffing. Staff does not have current information on the number of staff the Commission currently has in the Consumer Service and Information Division. More information is needed on what might constitute an adequate level of baseline funding in order for this division to carry out its statutory mandates.

Furthermore, legislation (SB 608, Escutia) enacted in 2005 requires the Commission to expand the PUC's public outreach program by requiring the Commission to publicize programs that encourage public participation in proceedings. The Commission should report on what it has done to implement this legislation.

Staff Recommendation. Staff recommends that the Subcommittee direct CPUC to provide additional information on the Consumer Service and Information Division, including:

- Identification of statutory mandates related to this division's activities and a metric of the Division's ability to meet these mandates with current staffing.
- Other justification for positions based on experience and directives by the Commission.

6. Review of Liquefied Natural Gas Terminals – Informational Item

Background. The CPUC regulates the state's electricity and natural gas investor owned utilities. Currently, LNG delivery options are being developed by entities that are not directly regulated by the Commission. Nevertheless, the development of these LNG facilities would

likely have a direct impact on natural gas rates of the investor owned utilities and could have a significant impact on rates of the electricity utilities. This is because electricity derived from natural gas accounts for over one-third of the state's total electricity supply.

Development of LNG facilities in California continue (see the discussion under the State Lands Commission earlier in this report for more details), but there remains little formal state guidance on what type of facility is preferred for the state. The CPUC is part of the Interagency Permitting Working Group for LNG (see State Lands Commission for additional discussion). The website of the working group indicates that state agencies reviewing the EIR/EIS for an LNG project are addressing a myriad of issues.

Staff Recommendation. Staff recommends that the Subcommittee direct CPUC to provide the Subcommittee with information on which Interagency Permitting Working Group issues are being evaluated by CPUC.

3360 California Energy Commission

Background. The Energy Resources Conservation and Development Commission (commonly referred to as the California Energy Commission, or CEC) is responsible for forecasting energy supply and demand, developing and implementing energy conservation measures, conducting energy-related research and development programs, and siting major power plants.

Governor's Budget. The Governor's Budget proposes \$310 million to support CEC in 2006-07. The proposed budget is approximately 26 percent less than estimated expenditures in the current year due to accumulated renewable energy funding expended in the current year to help implement the renewable portfolio standard. The department does not receive any General Fund support.

Summary of Expenditures				
(dollars in thousands)	2005-06	2006-07	\$ Change	% Change
Type of Expenditure				
Regulatory and Planning	\$25,775	\$26,179	\$404	1.6
Energy Resources Conservation	26,504	22,880	-3,624	-13.7
Research and Development	383,203	279,758	-103,445	-27.0
Administration	11,551	13,082	1,531	13.3
<i>less distributed administration</i>	<i>-11,551</i>	<i>-13,082</i>	<i>-1,531</i>	<i>0.0</i>
<i>less loan repayments</i>	<i>-1,883</i>	<i>-1,133</i>	<i>750</i>	<i>0.0</i>
Total	\$433,599	\$327,684	-105,915	-24.4
Funding Source				
General Fund	\$0	\$0	0	0.0
Special Funds	417,635	309,961	-107,674	-25.8
<i>Budget Act Total</i>	<i>417,635</i>	<i>309,961</i>	<i>-107,674</i>	<i>-25.8</i>
Federal Funds	10,211	11,978	1,767	17.3
Reimbursements	5,753	5,745	-8	-0.1
Total	\$433,599	\$327,684	-105,915	-24.4

1. Alternative Fuels Development

Background. Since its inception, the CEC has supported the development of alternative transportation fuels. Historically, the CEC has assessed and demonstrated the market potential of new transportation technologies and fuels, encouraged the widespread use of low-emission

alternative fuels in emerging technologies, and evaluated the development risks of and opportunities for using alternative fuels in transportation applications.

Legislation (AB 1007, Pavley), enacted in 2005, requires that the CEC, in partnership with the Air Resources Board and in consultation with other relevant agencies, develop a state plan to increase the use of alternative transportation fuels. The plan must include the following elements:

- Evaluate alternative fuels on a full fuel-cycle assessment of emissions.
- Set goals for 2012, 2017, and 2022 for increased alternative fuel use.
- Recommend policies to ensure goals are attained.

Governor's Budget. The Governor's Budget proposes \$500,000 from the Energy Resources Program Account (ERPA) for the CEC to implement recently enacted legislation (AB 1007, Pavley), which requires the development of recommendations to increase the use of alternative fuels in the transportation sector. These funds will be used to hire contractors to augment the Commission's four existing positions working on these issues.

Justification. The CEC indicates that additional expertise is needed beyond Commission staff resources to fulfill AB 1007. Specifically, additional analysis is needed to evaluate full fuel cycle emissions (also called well to wheels emissions), the capacity for instate production of alternative fuels, and research on consumer preference needed to encourage consumer use of alternative fuels.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

2. Safe School Bus Clean Fuel Efficiency Program

Background. The Katz Safe School Bus Program was created in 1988 to fund the replacement of old, dirty school buses purchased pre-1977 with cleaner and more energy efficient school buses. This program replaced 826 buses over 10 years. The program was originally funded with \$60 million from the Petroleum Violation Escrow Account. Over half of the buses funded were alternative fuel buses.

The 2005-06 budget included \$25 million to retrofit and replace additional school buses in a program that is managed by the Air Resources Board. The ARB is currently considering allocating funding to replace 40 pre-1977 school buses in smaller school districts. Larger school districts would manage their own programs for allocating the school bus replacement funds.

There are 743 pre-1977 buses remaining on the roads.

Governor's Budget. The Governor's budget proposes the expenditure of \$303,000 remaining in the Katz School Bus Fund to replace three pre-1977 buses currently in operation.

Unmet Need Remains. As mentioned above, there are 743 pre-1977 buses currently operating in the state. The \$25 million allocated in the 2005-06 budget, combined with the budget proposal to expend the remaining funds available in the Katz School Bus Fund, will replace 92 buses. This

leaves close to 700 additional buses that still need to be replaced. Pre-1977 buses are dangerous and polluting, because, before 1977, there were no federal safety standards for buses and emissions from buses were relatively uncontrolled. Furthermore, emissions from school buses impact children who are the most vulnerable segment of the state population.

Staff Recommendation. Staff recommends that the Subcommittee adopt the budget proposal.

3. Review of Liquefied Natural Gas Terminal Applications – Informational Item

Background. The CEC is the primary state agency responsible for setting the state's energy policy. Therefore, they have a role in the development of Liquefied Natural Gas (LNG) resources in the state. The 2005 Integrated Energy Policy Report sets the following policy regarding the potential for LNG resources in California:

An important addition to natural gas infrastructure in North America is the construction of liquefied natural gas import facilities. These facilities will increase natural gas supplies available to the U.S. over the next ten years and also help meet California's additional natural gas needs. Currently, no liquefied natural gas terminals are located on the West Coast. The 2003 Energy Report highlighted the need for development of these facilities and their associated infrastructure to serve the natural gas needs of the western U.S.

The cost of delivering natural gas to the West Coast via a liquefied natural gas project is well below the market prices that California pays at its borders and could have a dramatic effect on the market prices in the state. For example, if market prices dropped by 50 cents per million British thermal units, Californians would save more than \$1 billion on their natural gas bills.

Development of LNG facilities in California continue (see the discussion under the State Lands Commission earlier in this report for more details), but there remains little formal state guidance on what type of facility is preferred for the state. The CEC is part of the Interagency Permitting Working Group for LNG (see State Lands Commission for additional discussion). The website of the working group indicates that state agencies reviewing the EIR/EIS for an LNG project are addressing a myriad of issues.

Staff Recommendation. Staff recommends that the Subcommittee direct CEC to provide the Subcommittee with information on which Interagency Permitting Working Group issues are being evaluated by CEC.